



Association of Bay Area Governments
Bay Area Air Quality Management District
Bay Conservation and Development Commission
Metropolitan Transportation Commission

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JOINT POLICY COMMITTEE

Friday, March 21, 2008
10:00 a.m. to 12:00 Noon
MetroCenter Auditorium
101 Eighth Street, Oakland

AGENDA

1. Call to Order
2. Approval of Joint Policy Committee Meeting Minutes of February 15, 2008 Action
3. New Revenue Sources to Support Priority Development Areas Action
From a list of alternative new revenue sources, the Committee is asked to select a few for more detailed analysis and consideration.
4. Regional Housing Needs Allocation Action
ABAG staff is seeking JPC endorsement of the final RHNA allocation process.
5. Public Comment
6. Adjournment

NEXT SCHEDULED MEETING:

10:00 a.m. to Noon
Friday, May 16, 2008
MetroCenter Auditorium
101 Eighth Street, Oakland

The JPC may take action on any item listed in the agenda.

This meeting is scheduled to end promptly at 12:00 Noon. Agenda items not considered by that time may be deferred.

The public is encouraged to comment on agenda items by completing a request-to-speak card and giving it to JPC staff or the chairperson.

Although a quorum of the Metropolitan Transportation Commission may be in attendance at this meeting, the Joint Policy Committee may take action only on those matters delegated to it. The Joint Policy Committee may not take any action as the Metropolitan Transportation Commission unless this meeting has been previously noticed as a Metropolitan Transportation Commission meeting.



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JOINT POLICY COMMITTEE — REGIONAL PLANNING PROGRAM

Date: March 12, 2008
To: Joint Policy Committee
From: Regional Planning Program Director
Subject: New Revenue Sources to Support Priority Development Areas

At its meeting of January 18, 2008, the JPC considered various options for allocating funds through the Regional Transportation Plan (RTP) to support Priority Development Areas (PDAs). Recognizing competing demands on existing funds, the Committee called for a comprehensive and relatively unconstrained consideration of new revenue sources which could be employed to assist PDAs. This memo is intended to start that consideration by inventorying potential new taxes and fees that could be collected at the regional level and directed to PDAs and possibly to other aspects of the region's focused-growth efforts. The revenue sources are identified only in broad outline at this time. If the Committee is interested in pursuing any of these fees or taxes, then a much more detailed analysis, including most importantly a calculation of potential yield, will be required.

Issues in Common

As the State of California is all too painfully aware, money to pay for all sorts of good public purposes does not come easily. Pursuing any new revenue source will be difficult and time consuming, and there may be a high political price to pay. There are three core issues that all new revenue sources share to varying degrees:

1. Authority

With one arguable exception, the regional agencies do not have current authority to levy any of the proposed fees or taxes. We will need to go to the State Legislature, to the voters, or to both to obtain authority. Approval of some—maybe most—authorities will require super majorities.

2. Nexus/Purpose

The imposition of fees generally requires that there be a clear connection or "nexus" between the fee source and the services or investments being funded (i.e., that revenues are used to fund things which either serve or are caused by the activity to which the fee is applied). For example, a fee levied on a gallon of gasoline must be used to either provide transportation services (fill potholes) or mitigate the impact of using that gallon (reduce CO₂). While most of us would contend that the potential to reduce vehicle miles traveled (VMT) provides a strong nexus between focused growth and transportation-related fees,

there is a high probability that a court challenge would result in a more conservative test. Using transportation fees to fund non-transportation expenditures in PDAs, therefore, involves a substantial element of risk. The quality of nexus would obviously vary with the type of fee.

In contrast to fees, most taxes do not formally have to pass the nexus test. However, there is still a political requirement to explain and justify the tax to the approving entity, be it the legislature or the voters. While most people can relate to the purpose of a road widening or a transit expansion and see how it would benefit them or people like them, the public purpose of compact development in specific places is more difficult to grasp. A tax aimed exclusively, or even mostly, at funding focused growth may be a difficult sell.

3. Tax Burden / Tax-base Crowding

Different taxes affect different income groups and different elements of society differently. Therefore, it is simplistic in the extreme to contend that there is an archetypical California taxpayer and that this poor, representative individual is already grossly overburdened with charges levied by various levels of government. Nevertheless, there will be inevitable public resistance to any reduction in disposable income for purposes of improving the commonweal. While there is some demonstrated public sympathy for new taxes related to fighting climate change, taxpayers are also very sensitive to the size, incidence, and rationale for those taxes. To win voter approval, any new tax will have to be very carefully crafted.

Related to the perception of tax burden is the phenomenon of tax-base crowding. Taxes directed to a regional purpose, like focused growth, are potential taxes not directed to some other worthy public purpose. Local and state governments will jealously guard their revenue sources and resist any usurpation of revenue capacity by regional agencies.

4. Equity Consequences

Nearly all the potential revenue sources are taxes and fees levied on basic commodities or on behaviors over which people have limited discretion. Therefore, there is a high probability of inequitable or regressive consequences. Credits, exemptions, subsidies, investments in alternative transportation choices, or combination mechanisms will be required to mitigate these consequences.

Given these issues to overcome, it is reasonable to expect that substantial new sources of revenue will not become an allocation reality until the 2013 update of the RTP at the earliest. In the interim, to maintain momentum and to kick-start progress on the region's climate objectives, it may be necessary to further subdivide the existing regional pie and dedicate some present discretionary funding to PDAs and focused growth. Preparing a regional transportation plan is about setting priorities for always limited funds. If focused growth is truly a regional priority, then it should be worth at least some marginal reallocations from a few perceived entitlements to help make it happen. There is also sufficient overlap among existing regional discretionary programs and PDAs to direct a somewhat increased proportion of program funding to PDAs without compromising the core purposes of those programs at all.

Some Possibilities

What follows is a cursory catalog of potential new revenue sources. The emphasis is on taxes and fees related to transportation use or land development, as the rationale for funding PDAs from these sources is relatively obvious and direct. This is not to preclude supporting PDAs with funds derived from more traditional general revenue sources—income, sales and property taxes—but competing priorities and issues of tax-base crowding quickly come into play when considering these core government revenues.

The catalog is without price information. There is no attempt to hypothesize tax or fee levels or to estimate aggregate revenues at this time. It is important to first concentrate on taxation or user-fee principles. If the principles underlying a particular revenue source are acceptable, we can next test its sensitivity to different price levels and estimate its revenue-generating capacity.

1. General Transportation-related Fees and Taxes

1.1 Gasoline Fee

MTC and the Air District are jointly seeking legislative authority to ask Bay Area voters to allow the levy of a per-gallon fee on the sale of gasoline, the proceeds of which would be used for local roads maintenance and climate protection. The draft legislation includes specific uses for the money, but does not include support for focused growth or PDAs, as our legal advisors are worried about passing the nexus test. Unlike a tax, a fee only requires a simple majority (50 per cent plus one) to pass. Assembly Member Jared Huffman has authored legislation which levies a fee for climate protection purposes only.

1.2 Gasoline Tax

MTC currently has the authority to go to the voters and ask for a regional gasoline tax. However, the imposition of a new tax requires a two-thirds super majority, and polls have suggested that this level of support is not yet attainable. Assuming no immediate changes in the burning efficiency of gasoline blends, both the gasoline tax and gasoline fee have the desirable quality of acting like a carbon tax, as the amount of revenue generated will be roughly proportional to the amount of CO₂ released into the atmosphere. Both gas taxes and gas fees are subject to revenue erosion as vehicle fuel economy increases. If given the authority, the region would likely implement a fee or a tax, but not both

1.3 VMT Fee or Tax

Oregon and a few other jurisdictions have begun experimenting with the idea of a VMT fee. This is a road-use charge levied on the basis of odometer readings. Its principal advantage is that, unlike a gas fee or tax, it would not be subject to revenue erosion as fuel efficiency increases. It may also act as a disincentive to the increased driving that would otherwise occur with more fuel-efficient vehicles. This disincentive will restore some of the climate benefit associated with efficient vehicles and have other transportation benefits as well. Reduced VMT should help moderate congestion levels and road wear. However, a VMT fee will clearly not act like a simple carbon tax, and

the nexus to focused growth is indirect. The broad-based implementation of a new technology would also be required to efficiently collect a VMT fee, and there are administrative issues related to out-of-region and out-of-state automobiles.

1.4 Vehicle License (Registration) Fee (VLF)

This would be a regional increment to an existing state revenue source with an administrative system for collection already in place. Were it accompanied by self-reporting of odometer readings (similar to self reporting of income for tax purposes), it could take on some of the desirable characteristics of a VMT fee (assuming random audits to assist honesty). A fee schedule based on vehicle fuel efficiency could also act as an incentive to energy conservation.

MTC is already pursuing a one-dollar VLF increase to help pay for freeway performance initiatives. It may be feasible to add to the fee request to also cover incentives for focused growth. Remember, however, that a VLF increase implemented earlier in this decade was one of the major issues behind an unscheduled change in State administrations and was rescinded shortly after the election of a new Governor. VLF increases have a definite political third-rail quality. A regional license fee capable of withstanding political challenge would likely have to be very moderate and clearly linked to a popular purpose.

1.5 Parking Fees and Taxes

Some Bay Area local governments already collect surcharges on commercial parking fees and rents, and there may, therefore, be some tax-base crowding issues associated with a regional parking levy. However, increased commercial parking costs can send important price signals and generate substantial revenue to boot.

There are two substantively different ways of implementing a regional parking levy: (1) as a “sales tax” on commercial parking charges paid by parking consumers, or (2) as a “property tax” on commercial parking spaces whether or not the parker pays a charge. Combinations are also possible. The “sales tax” approach is administratively easier and can act as trip-demand meter on denser more congested locations where pay parking is more common. The “property tax” approach including “free” parking spaces, while requiring more difficult administration is more comprehensive and arguably more equitable. It could impact many more and a greater variety of trips. Most importantly, it could also help counteract the commercial sprawl incentive which could be an unintended consequence of a parking sales tax implemented only in relatively dense concentrations of commercial space. From a VMT reduction perspective, a fully effective parking tax system will discourage free parking regardless of location. If all parking is priced, people will be more inclined to combine trips and to think twice about making discretionary trips.

2. Road Pricing

The region is actively considering a number of pricing mechanisms to better manage use of the system and coincidentally generate some revenue which could pay for system improvements. The target analysis for the RTP has demonstrated that focused growth as implemented through

PDAAs can have a higher impact on VMT and emissions than most conventional transportation investments. It is, therefore, altogether appropriate to consider using some road-pricing revenue to invest in PDA development and to conceptualize PDAs as transportation projects.

2.1 Bridge Tolls

The region currently uses some toll revenue from the seven state-owned bridges to finance improvements to the region-wide transportation system. Current toll revenue, including some future increments, is fully committed. However, as we increasingly come to regard PDAs as integral to our transportation system, it will make sense to fund some PDA investments as transportation-system improvements. This will likely require new or renewed authorities, but the collection system is clearly already in place. A major issue is that only a small subset of the region's trips cross the bridges and therefore a small subset of drivers will be shouldering the increased cost burden. As well, only a subset of the region's trips would be disincentivized.

2.2 HOT Lanes

The next most likely large-scale extension of road-pricing principles in the Bay Area will be the implementation of HOT lanes. The HOT-lane concept would allow the drivers of single-occupant vehicles to by-pass congestion by paying a fee to drive in the same express lanes as high-occupancy vehicles (HOVs). Initial HOT-lane revenues will likely be dedicated to completing and extending the HOT lanes themselves. After that expenditure, the monies might be used to fund general system improvements, including PDA development. However, surplus revenue from this source is only likely to be available in the very long term if ever.

2.3 Cordon Charges

The Bay Area (San Francisco in particular) is considering the possibility of vehicle entry fees to particularly congested parts of the region. Such fees are already in place in Singapore, Stockholm and London and are under active consideration for New York. The successful implementation of these fees requires that revenue be first used to fund transportation alternatives to the private automobile: generally transit, but also including bike and pedestrian improvements, taxis, and car sharing. Once an improved non-auto system is in place, other uses of revenue could be considered. A worthy expenditure might be PDA infill incentives within the pricing cordon. In the near to medium term, this will likely only have applicability to the city of San Francisco.

2.4 Open-Road Tolling

Automated electronic collection, either through transponders or digital photography of license plates, makes it theoretically possible to collect toll revenue anywhere on the highway system, not just at choke points like bridges and tunnels. Automated collection can also occur without generating its own bottlenecks, as there is no need to stop or even slow down. However, without creating direct travel impediments, open-road tolls can send important price signals which will influence the routes, times, and modes which people choose to travel. That will help us optimize the transportation capacity we are able to provide. It will also generate revenue which can fund transportation system improvements including more supportive land use. However, before open-road tolling

can be implemented, a significant and expensive technological infrastructure would have to be in place and the privacy concerns associated with regular monitoring of vehicle location would have to be put to rest.

3. Land Development Fees and Taxes

3.1 Indirect Source Fees

Regional air quality agencies, including BAAQMD, have the authority to set rules and levy fees to mitigate air pollution resulting from new residential, commercial and industrial development—including travel to and from the development, during and after construction. This authority has been exercised by the San Joaquin Valley Air Pollution Control District, which requires developers to either reduce impact with site-specific improvements or pay off-site mitigation fees. Impact, including travel generation, is estimated using a project-specific computer model, URBEMIS. During its first year of operation, the Valley Indirect Source Rule program collected just short of \$13 million in fees. In theory, fees could be directed to assist emission-reducing development elsewhere in the region.

Transferability to the Bay Area is subject to resolution of at least a couple of issues: (1) the San Joaquin rules have been challenged in court by development interests, and (2) the Bay Area currently performs much better on criterion pollutants than the Valley, so the imperative to take extraordinary measures is not as great here. Relative to the first issue, the rules have just been upheld by the Fresno County Superior Court, but an appeal may be possible. Regrettably, climate change may resolve the second issue. As temperature rises, there will many more hot days that cook precursor gases with the result that we will exceed ground-level ozone limits much more often than presently. We will then need to redouble our efforts to control criterion pollutants. As development has long-lasting impacts, it may not be too early to anticipate future changes by implementing indirect source rules now.

3.2 Traffic Mitigation Fees

These are similar to indirect source fees, but only levied on commercial development. C/CAG in San Mateo County currently has a system in place which allows developers to either directly mitigate traffic impact through demand management (TDM) strategies or pay a new trip fee. Revenue may be limited, as most opt for TDM.

3.3 Commercial Linkage Fees

A few Bay Area municipalities, including San Francisco, currently levy a per-square-foot fee on new commercial development. In most cases, the collected fees are used to support affordable housing development. In San Francisco, they are also used for transit. The theory is that commercial space is filled up with employees, and those employees require housing and transportation services. The developer, who benefits from the occupancy of new commercial space, also has an obligation to mitigate some of the social and public costs resulting from that occupancy.

Most local governments do not have linkage fees for fear that it will put them at a competitive disadvantage in attracting desired commercial development and associated property and sales taxes. Implementation of a linkage fee at the regional level would obviate that fear, as all jurisdictions (at least within this region) would be on the same level playing field. Expanding the base of affected commercial projects would also increase the potential total funding available, even at lower per-square-foot rate than present local linkage programs. That rate would have to set low enough so as not to put the region as a whole at a competitive disadvantage relative to other regions.

In moving linkage fees to the regional level, there would be a need to keep the faith by continuing to use them for the same purposes as presently, mostly affordable housing. This should not be an issue as affordable housing will likely be a priority requiring funding in nearly all PDAs.

3.3. Payroll Taxes

While not strictly a tax on development, payroll taxes share essentially the same rationale as commercial linkage fees: they are a tax on the impacts of economic activity and employment, paid by the employer rather than employee. They may have a somewhat more progressive quality, as they implicitly assume (perhaps inaccurately) that higher paying jobs have a greater impact than lower paying jobs. Metro, the regional government for the Portland, Oregon area, draws upon payroll taxes to fund many of its activities. Unlike linkage fees, which are levied one time per building, payroll taxes are a continuous, albeit somewhat volatile, source of revenue. Like linkage fees, there is some benefit in levying them on a regional level in order to obviate intra-regional tax competitions, though inter-regional competitiveness could become an issue depending on tax level.

3.4 Tax Increment Financing (TIF) / Betterment Levies

California law permits redevelopment authorities to finance infrastructure and other community improvements using the tax increment resulting from higher property valuations. Those valuations are assumed to increase because of the community improvements themselves and because of associated up-zoning. With a few limited exceptions, however, TIF is only available in redevelopment areas which have been deemed “blighted”. Amending state law to make TIF available to PDAs regardless of existing conditions could provide a useful financial tool. This has been proposed for transit villages but has been resisted by school districts and other property tax recipients because of perceived tax-base crowding issues.

The betterment levy is a related concept, more familiar outside the United States. A betterment levy is a direct tax on the increase in property value resulting from a legislative action like an upzoning. It functions more like a capital gains tax than a property tax.

Neither a TIF or betterment levy implementation would require the regional collection or distribution of funds. However, regional designation of a PDA area could trigger the local ability to use these financing mechanisms.

4. Other: Carbon Trading

All the revenue sources we have cataloged are difficult and speculative. This, however, is by far the most difficult and the most speculative. It is included in the catalog for reasons of relative completeness and nearly as a last resort. It requires either the recognition of sustainable PDA development as an acceptable offset within the current informal guilt-driven “carbon-neutrality” system or the implementation of a workable, formal cap-and-trade system in which the emission impacts of development are sufficiently quantifiable to be traded among development projects and with other emitting activities. The theory is that PDAs, because they generate twenty to forty percent less VMT than conventional sprawl development, would accumulate carbon credits which could then be sold to finance required infrastructure. This is neat in theory; in practical terms it may be little more than a full employment program for lawyers and accountants. It is unlikely to be doable exclusively at a regional level.

Conclusion

This memo has identified a number of potential new revenue sources which could be employed to assist focused growth and PDA development in particular. The purpose is to put some ideas out for a first round of discussion without a lot of prejudgment. At this stage, we have applied only a very coarse realism filter: our analysis has been superficial, not critical and discriminating. However, no revenue source is without substantial policy and implementation issues. There are no pots of gold simply waiting for us to grab.

The next step is for the JPC to identify a subset of these revenue ideas, or other ideas emerging from its discussion, which are worthy of more detailed analysis and consideration. Through an incremental process of elimination, we expect we will eventually end up with one or two ideas which are truly worth pursuing at this time.

However, “at this time” is likely to extend beyond the completion date of the current Regional Transportation Plan update, and the next update is four years away. As the current RTP process proceeds through the rest of the year, it will be important to remain vigilant for opportunities to support PDAs using current revenues. The RTP vision analysis has suggested that focused growth, implemented in part through PDAs, will be a key part of the Bay Area’s transportation future. For that part to be fully realized and fully effective, we need to start building it now, not with the next RTP. While we develop new revenue sources, a number of consequential regional clocks keep ticking. Employment growth, population growth and climate change are not stopping to wait for new revenues.

Recommendation

I RECOMMEND:

THAT the JPC identify no more than about two to three new revenues sources (excluding a regional gas fee, a vehicle license fee increase, HOT lanes and congestion pricing, which are already in play) that it believes are most worthy of implementation by no later than the next RTP

update in 2013, and THAT it direct staff to report back on a detailed comparative analysis of these alternatives during 2008.

M E M O

To: Joint Policy Committee
From: Paul Fassinger, ABAG Research Director
Christy Riviere, ABAG Senior Planner
Date: March 12, 2008
Re: *Regional Housing Needs Allocation*

The state, regional and local governments each have a role to play in planning for housing in California. Local governments have to plan for exactly how and where housing will be developed in their individual communities. The amount of housing cities and counties must plan for, however, is determined through a combination of state, regional and local housing policy called the Regional Housing Needs Allocation process.

On March 20, staff is asking the ABAG Executive Board to release a Proposed Final Allocation. This memo outlines the RHNA process and asks the Joint Policy Committee to provide its comments before anticipated adoption of the final allocation in May.

We are requesting that the JPC endorse the process as described.

Regional Housing Needs Allocation (RHNA) Process

The State of California periodically requires that all jurisdictions in the state update the Housing Elements within their local General Plans. In these Housing Elements, the state mandates that local governments plan for their share of the region's housing need, for people of all income categories. The State's Housing and Community Development Department, determines each region's need for housing, based on that region's population demographics. The regional councils of governments, COGs, then allocate that need, for all income groups, amongst jurisdictions. The jurisdictions then plan for that need in their local housing elements, which are eventually certified by HCD.

As the region's COG, ABAG is responsible for allocating the state-determined need to jurisdictions in the Bay Area. The process has gone through most of its significant milestones:

A Housing Methodology Committee (HMC) was established in May 2006 to assist ABAG staff in developing its recommendation to the ABAG Executive Board on the methodology for the RHNA. The HMC was composed of elected officials, city and county staff, and stakeholder representatives.

A new option in this cycle of the RHNA was the designation of subregions. In August of 2006 the cities and county of San Mateo asked to be designed a subregion. It was assigned a portion of the overall regional forecast, but has been responsible for the allocation to the individual jurisdictions within its subregion.

In early 2007 both the region and subregion had adopted very similar methodologies for the allocation of the regional need to the individual jurisdictions.

The region was assigned a total need in March of 2007 and a draft allocation was approved in July of that year.

A number of jurisdictions asked for revisions to their draft allocations. In January of this year ABAG's executive Board approved one revision, for the City of Palo Alto.

Five jurisdictions made the further step of appealing their revision requests. The ABAG Executive Board is scheduled to decide that issue at its March 20th meeting.

A final allocation is expected to be on the Executive Boards May agenda. HCD would give a final allocation approval later this year.

RHNA Methodology

The regional housing needs allocation methodology assigns each jurisdiction in the Bay Area its share of the region's total housing need. The methodology is made up of two allocation formulas and some additional rules.

1. Weighted Factors

Factors in the allocation methodology are the mathematical variables that allocate shares of the regional housing need (RHN). The factors reflect: 1) state mandated RHNA objectives; 2) RHNA statutory requirements; 3) local policy and 4) regional policy. In the methodology, each factor is given priority relative to the others. Priority is established through "weighting" in the formula. For example, if one of the factors, household growth, is determined to be more important than another factor, e.g., transit, the methodology can give household growth a higher weight than transit in the formula. The methodology may also equally weight the factors, therefore ensuring that all the factors are of equal priority.

A. Household Growth, 45 Percent

Each local jurisdiction should plan for housing according to regionally projected household growth within its boundaries during the RHNA planning period (2007 – 2014). Household growth is weighted 45 percent in the allocation. Household growth is used as a factor, as opposed to existing households or total households, to ensure that additional housing is not allocated where there are existing concentrations of homes in the region, but rather where growth is anticipated to occur. In this way household growth as a factor in the methodology ensures that the allocation is consistent with both local plans for growth and with regional growth policies, as those areas that are planning for household growth would receive a higher allocation than those areas not planning for growth. Household growth in ABAG's *Projections* is most influenced by local land use plans and policies, including planned and protected agricultural lands, open space and parks, city-centered growth policies, urban growth boundaries, and any physical or geological constraints.

Regional policies have been incorporated into *Projections* since 2002, and are assumed to begin to effect the forecast by 2010, and therefore have some effect on regional housing growth estimates in the 2007-2014 RHNA period. Regional policies assume that there will be increased housing growth in existing urbanized areas, near transit stations and along major public transportation corridors. These

regional policies are consistent with state housing policies to promote infill development, environmental and agricultural protection and efficient development patterns.

B. Existing Employment, 22.5 Percent; Employment Growth, 22.5 Percent

Each local jurisdiction should plan for housing to accommodate existing employment (2007) and regionally projected employment growth within its boundaries during the RHNA planning period (2007 – 2014). This will ensure that the need allocation gives jurisdictions with both existing concentrations of jobs and planned job growth a share of the regional housing need. This will direct housing to existing job centers and to areas with anticipated employment growth. These jobs allocation factors may address regional jobs-housing imbalance and facilitate access by proximity, for housing would be directed to communities with jobs and planned jobs, which may reduce vehicle miles traveled due to reduced inter- and intra-regional commuting.

C. Household Growth near Transit, 5 Percent; Employment Growth near Transit, 5 Percent

Each local jurisdiction with an existing or planned transit station should plan for more housing near such stations. Current regional policy places incrementally more growth along major transportation corridors and at transit stations. Therefore, a housing need allocation that uses regional housing growth and employment as factors will be inclusive of “transit” as a policy issue. Using transit as a direct factor in the methodology will give transit a greater degree of policy weight. Those jurisdictions with transit, existing and planned, would receive a relatively higher proportion of the housing needs allocation than those jurisdictions without existing or planned transit. The Executive Board decided that for this allocation “planned” transit would not be included and only existing rail and ferry would be considered.

2. Regional Income Allocations

Each local jurisdiction’s allocation is also identified by the three income categories. For each jurisdiction, the income allocation takes the percentage of households in the different income categories for the 2000 census and moves the distribution 175% toward the regional income distribution. As a result, those jurisdictions that already have a higher share of households in low income categories will receive an allocation with relatively fewer lower income units. Those jurisdictions that have a lower share of households in the low income category will receive relatively more lower income units.

3. Spheres of Influence

Each local jurisdiction with the land-use permitting authority in a “Sphere of Influence” should plan for the housing needed to accommodate housing growth, existing employment and employment growth in such “Sphere of Influence” areas. A 100 percent allocation of the housing need to the jurisdiction that has land use control over the area would ensure that the jurisdiction that plans for accommodating the housing units also receives credit for any built units during the RHNA period.

4. Transfer of Units

After the initial allocation of the regional housing need, a local jurisdiction may request approval to transfer units with willing partner(s), in a way that maintains total need allocation amongst all transfer parties, maintains income distribution of both retained and transferred units, and includes package of incentives to facilitate production of housing units. This transfer rule allows the transfer of allocated

housing need between willing jurisdictions in conjunction with financial resources, while maintaining the integrity of the state's RHNA objectives by preventing any jurisdiction from abdicating its responsibility to plan for housing across all income categories.

5. Subregions

The County of San Mateo, in partnership with all twenty cities in the county, has formed a subregion, as allowed by state statute. ABAG has assigned a share of the regional need to the subregion "in a proportion consistent with the distribution of households" in *Projections 2007*. The subregion is responsible for completing its own RHNA process that is parallel to, but separate from, the regional RHNA process. The subregion has created its own methodology, and issued draft allocations. It will handle the revision and appeal processes, and then issue final allocations to the members of the subregion.

The Regional Need

After significant consultation between the State Department of Housing and Community Development, HCD, and ABAG staff, HCD determined that the Bay Area needs to plan for 214,500 households during the 2007 – 2014 planning period. A number that was actually lower than the total regional need assigned in the previous RHNA period. In addition to the total need, HCD's determination of housing need is given to the region by income category. The income categories are very low, low, moderate and above moderate. The percent of total units in each income category are based on the regional average distribution of households across the various income categories. Using the lowest end of the range, the regional need assignment, by income category is:

Income Category	Percent	Units
Very-Low	22.8%	48,840
Low	16.4%	35,102
Moderate	19.3%	41,316
<u>Above Moderate</u>	<u>41.5%</u>	<u>89,242</u>
Total	100%	214,500

Draft Proposed Final Allocation

Attached is the allocation to be considered by ABAG's Executive Board on March 20th. Further updates may occur as a result of the Executive Board's decision at that time.

**Proposed Final Regional Housing Needs Allocation
March 5, 2008**

	Very Low <50%	Low <80%	Mod <120%	Above Mod	Total
ALAMEDA	482	329	392	843	2,046
ALBANY	64	43	52	117	276
BERKELEY	328	424	549	1,130	2,431
DUBLIN	1,092	661	653	924	3,330
EMERYVILLE	186	174	219	558	1,137
FREMONT	1,348	887	876	1,269	4,380
HAYWARD	768	483	569	1,573	3,393
LIVERMORE	1,038	660	683	1,013	3,394
NEWARK	257	160	155	291	863
OAKLAND	1,900	2,098	3,142	7,489	14,629
PIEDMONT	13	10	11	6	40
PLEASANTON	1,076	728	720	753	3,277
SAN LEANDRO	368	228	277	757	1,630
UNION CITY	561	391	380	612	1,944
UNINCORPORATED	536	340	400	891	2,167
ALAMEDA COUNTY	10,017	7,616	9,078	18,226	44,937
ANTIOCH	516	339	381	1,046	2,282
BRENTWOOD	717	435	480	1,073	2,705
CLAYTON	49	35	33	34	151
CONCORD	639	426	498	1,480	3,043
DANVILLE	196	130	146	111	583
EL CERRITO	93	59	80	199	431
HERCULES	143	74	73	163	453
LAFAYETTE	113	77	80	91	361
MARTINEZ	261	166	179	454	1,060
MORAGA	73	47	52	62	234
OAKLEY	219	120	88	348	775
ORINDA	70	48	55	45	218
PINOLE	83	49	48	143	323
PITTSBURG	322	223	296	931	1,772
PLEASANT HILL	160	105	106	257	628
RICHMOND	391	339	540	1,556	2,826
SAN PABLO	22	38	60	178	298
SAN RAMON	1,174	715	740	834	3,463
WALNUT CREEK	456	302	374	826	1,958
UNINCORPORATED	815	598	687	1,408	3,508
CONTRA COSTA COUNTY	6,512	4,325	4,996	11,239	27,072
BELVEDERE	5	4	4	4	17
CORTE MADERA	68	38	46	92	244
FAIRFAX	23	12	19	54	108
LARKSPUR	90	55	75	162	382
MILL VALLEY	74	54	68	96	292
NOVATO	275	171	221	574	1,241
ROSS	8	6	5	8	27
SAN ANSELMO	26	19	21	47	113

SAN RAFAEL	262	207	288	646	1,403
SAUSALITO	45	30	34	56	165
TIBURON	36	21	27	33	117
unincorporated	183	137	169	284	773
MARIN COUNTY	1,095	754	977	2,056	4,882
AMERICAN CANYON	169	116	143	300	728
CALISTOGA	17	11	18	48	94
NAPA	466	295	381	882	2,024
ST HELENA	30	21	25	45	121
YOUNTVILLE	16	15	16	40	87
unincorporated	181	116	130	224	651
NAPA COUNTY	879	574	713	1,539	3,705
SAN FRANCISCO COUNTY	6,589	5,535	6,754	12,315	31,193
SAN MATEO COUNTY	3,588	2,581	3,038	6,531	15,738
CAMPBELL	199	122	158	413	892
CUPERTINO	341	229	243	357	1,170
GILROY	319	217	271	808	1,615
LOS ALTOS	98	66	79	74	317
LOS ALTOS HILLS	27	19	22	13	81
LOS GATOS	154	100	122	186	562
MILPITAS	689	421	441	936	2,487
MONTE SERENO	13	9	11	8	41
MORGAN HILL	317	249	246	500	1,312
MOUNTAIN VIEW	633	430	541	1,275	2,879
PALO ALTO	690	543	641	986	2,860
SAN JOSE	7,751	5,322	6,198	15,450	34,721
SANTA CLARA	1,293	914	1,002	2,664	5,873
SARATOGA	90	68	77	57	292
SUNNYVALE	1,073	708	776	1,869	4,426
unincorporated	191	150	179	290	810
SANTA CLARA COUNTY	13,878	9,567	11,007	25,886	60,338
BENICIA	147	99	108	178	532
DIXON	197	98	123	310	728
FAIRFIELD	873	562	675	1,686	3,796
RIO VISTA	213	176	207	623	1,219
SUISUN CITY	173	109	94	234	610
VACAVILLE	754	468	515	1,164	2,901
VALLEJO	655	468	568	1,409	3,100
unincorporated	26	16	18	39	99
SOLANO COUNTY	3,038	1,996	2,308	5,643	12,985
CLOVERDALE	71	61	81	204	417
COTATI	67	36	45	109	257
HEALDSBURG	71	48	55	157	331
PETALUMA	522	352	370	701	1,945
ROHNERT PARK	371	231	273	679	1,554
SANTA ROSA	1,520	996	1,122	2,896	6,534

SEBASTOPOL	32	28	29	87	176
SONOMA	73	55	69	156	353
WINDSOR	198	130	137	254	719
unincorporated	319	217	264	564	1,364
SONOMA COUNTY	3,244	2,154	2,445	5,807	13,650
REGION	48,840	35,102	41,316	89,242	214,500